

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
JANUARY 9, 2017**

**CON REVIEW: ESRD-ES-1116-023
RCG TUNICA, LLC D/B/A TUNICA DIALYSIS
EXPANSION OF ESRD STATIONS AT EXISTING ESRD FACILITY
CAPITAL EXPENDITURE: \$1,374,346.00
LOCATION: TUNICA, TUNICA COUNTY, MISSISSIPPI**

STAFF ANALYSIS

PROJECT SUMMARY

A. Applicant Information

RCG Tunica, LLC d/b/a Tunica Dialysis is a business corporation. The applicant indicates that RCG Tunica, LLC d/b/a Tunica Dialysis is governed by two Board of Directors and thirteen officers.

The applicant provided a Certificate from the Secretary of State, verifying that the corporation was issued a Charter/Certificate of Authority on October 5, 2001. The document indicates that the business is incorporated in the State of Delaware; however, it is authorized by the Secretary of State to do business in Mississippi.

B. Project Description

Briefly, RCG Tunica, LLC d/b/a Tunica Dialysis operates a sixteen (16) station End Stage Renal Disease (ESRD) facility in Tunica. The applicant states due to the increase in patient volume, the proposed expansion to the existing facility by eight (8) ESRD stations will result in a twenty-four (24) station ESRD facility.

The applicant states it will expand its existing facility by approximately 2,400 square feet to accommodate the proposed ESRD station expansion. The applicant states a developer will incur the cost of the shell expansion, while the applicant will incur the costs of the interior build-out.

The applicant includes a capital expenditure summary and consolidated financial statements. The applicant provided a schematic drawing to show how the proposed building will look. The applicant received site approval from the Mississippi State Department of Health, Bureau and Health Facilities, Division of Health Facilities Licensure and Certification.

RCG Tunica, LLC d/b/a Tunica Dialysis proposes to fund the project with cash reserves. The applicant states the money will be obligated within six (6) months of final CON approval. The applicant states the proposed expansion project will be complete within one year of start date.

II. TYPE OF REVIEW REQUIRED

The Department reviews projects for the establishment of an end stage renal disease facility is reviewed in accordance with Section 41-7-191, subparagraph (1)(a), and 1(b) of the Mississippi Code 1972, Annotated, as amended, and duly

adopted rules, procedures, plans, criteria, and standards of the Mississippi State Department of Health. However, the proposed project is for the expansion of an existing ESRD facility.

In accordance with Section 41-7-197 (2) of the Mississippi Code of 1972 Annotated, as amended, any affected person may request a public hearing on this project within 10 days of the publication of the Staff Analysis. The staff analysis is due online Saturday January 7, 2017; however the Staff Analysis will be posted on Monday, January 9, 2017. The opportunity to request a hearing expires on January 19, 2017.

III. CONFORMANCE WITH THE STATE HEALTH PLAN AND OTHER ADOPTED CRITERIA AND STANDARDS

A. State Health Plan (SHP)

The *FY 2015 State Health Plan* contains policy statements and service specific criteria and standards which the applicant is required to meet before receiving CON authority to establish facility; however the proposed project is for the expansion of an existing ESRD facility. This application is in substantial compliance with applicable criteria and standards.

Policy Statement No. 12 of the 2015 State Health Plan states that any "Existing ESRD facilities may add ESRD stations without Certificate of Need review, as long as the facility does not add, over a period of two (2) years, more than the greater of four (4) stations or 15% of the facility's current number of certified stations. The applicant proposes to add eight (8) ESRD stations, which is four more than the requirement listed under Policy Statement 12.

The Establishment of an ESRD Facility

SHP Criterion 1- Establishment of New ESRD Facility

State Health Plan Need Criterion 1 is not applicable to the proposed project. The proposed project is for the expansion of an existing ESRD facility.

SHP Criterion 2- Expansion of Existing ESRD Facilities

The *FY 2015 MSHP* states: "In the event that an existing ESRD facility proposes to add more than the greater of four (4) stations or 15% of the facility's current number of certified stations within a two-year period, then the facility must apply for a certificate of need, and shall document that it has maintained a minimum annual utilization rate of 65% for the 12 months prior to the month of the submission of the CON application. NOTE: ESRD Policy Statements 2, 4, 5 and 6, and Need Criterion 1, do not apply to applications for the expansion of existing ESRD facilities".

The applicant provided verification to show that Tunica Dialysis has maintained a minimum annual utilization rate of 65% for the 12 months (November 2015 – October 2016) prior to the month of the submission of the CON application. Based on the ESRD data provided, Tunica Dialysis's utilization is 72.50% for the 12 months referenced above. Thus, the applicant meets the minimum annual utilization rate of 65%.

The proposed project is seeking to expand the facility by eight (8) ESRD stations. RCG Tunica, LLC d/b/a Tunica Dialysis states because of its request for additional ESRD stations is greater than four (4) and 15% of the applicant's current certified ESRD station number, the applicant filed a CON application.

SHP Criterion 3- Need for Establishment of ESRD Satellite Facilities

State Health Plan Need Criterion 3 is not applicable to the proposed project. The proposed project is for the expansion of an existing ESRD facility.

SHP Criterion 4 - Number of Stations

RCG Tunica, LLC d/b/a Tunica Dialysis is an existing ESRD facility and it currently has sixteen (16) hemodialysis ESRD stations.

SHP Criterion 5 - Minimum Utilization

The proposed project is not requesting to establish a new ESRD facility; thus, Policy Statement Number 10 is not applicable to the CON application.

SHP Criterion 6 - Minimum Services

RCG Tunica, LLC d/b/a Tunica Dialysis affirms that the facility will provide, at a minimum, social, dietetic and rehabilitative services. The applicant asserts rehabilitative services will be provided on a referral basis.

SHP Criterion 7 - Access to Needed Services

The applicant affirms that RCG Tunica, LLC d/b/a Tunica Dialysis will provide reasonable access to equipment and facilities for such needs as vascular access and transfusions required by stable maintenance ESRD patients.

SHP Criterion 8 - Hours of Operation

RCG Tunica, LLC d/b/a Tunica Dialysis affirms that it will operate Monday, Wednesday and Friday 5:45 a.m. to 10:00 p.m. and Tuesday, Thursday and Saturday 5:45 a.m. to 8:00 p.m. The applicant states alternate times are available by arrangement.

SHP Criterion 9 - Home Training Program

RCG Tunica, LLC d/b/a Tunica Dialysis affirms that home training program is available for medically eligible patients and that the facility counsels all patients on the availability of and eligibility requirements to enter the home/self-dialysis program.

SHP Criterion 10 - Indigent/Charity Care

The applicant affirms that they will provide a reasonable amount of indigent/charity care and that it will continue to provide a reasonable amount of indigent/charity care after the expansion take place.

SHP Criterion 11 - Facility Staffing

The applicant included a list of required staff by category, position qualification guidelines (minimum education and experience requirements) and lists a description of the specific duties. The applicant states that Full-Time Equivalents (FTEs) or personnel will not be required for the proposed project nor will the number of FTEs increase.

SHP Criterion 12 - Staffing Qualifications

The applicant asserts that the staff of the facility will meet, at a minimum, all requirements and qualifications as stated in 42 CFR, Subpart D, Section 494.140 as listed under SHP Criterion 12.

SHP Criterion 13 - Staffing Time

The applicant affirms that when the unit is in operation, at least one (1) R.N. will be on duty and at least two (2) persons will be present for each dialysis shift, one of which will be an R.N. In addition, the applicant affirms that the medical director or a designated physician will be on site or on call at all times when the unit is in operation. When the ESRD facility is not in operation, the applicant states that the medical director or a designated physician and one R.N. will be on call.

SHP Criterion 14 - Data Collection

The applicant affirms that it shall record and maintain all required data listed under SHP Criterion 14 and shall make it available to the Mississippi State Department of Health as required by the Department.

SHP Criterion 15 - Staff Training

The applicant asserts that it will provide an ongoing training in dialysis techniques for nurses and technicians at the satellite facility.

SHP Criterion 16 -Scope of Privileges

The applicant affirms that it will provide access to doctors of medicine or osteopathic medicine licensed by the State of Mississippi who possess qualifications established by the proposed governing body of the facility.

SHP Criterion 17 - Affiliation with a Renal Transplant Center

The applicant affirms that they have an existing Renal Transplant Agreement with Mid-South Transplant Foundation, Inc. Mid-South Transplant Foundation, Inc. will make their services available for either cadaveric or living related transplants for ESRD patients of the Renal Care Group -Tunica, Tunica, MS.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, September 1, 2011, Revision*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

GR Criterion 1 – State Health Plan

This application is in compliance with the overall objectives of the *FY 2015 State Health Plan*.

GR Criterion 2 – Long Range Plan

The applicant's long range plan is to provide high quality, easy access ESRD services for those residents in need of dialysis services near Tunica and around Tunica County.

GR Criterion 3 – Availability of Alternatives

The applicant states the other alternatives would be to relocate the facility to a different location to accommodate its patient's growth or to open a satellite facility. The applicant asserts it considered simply expanding by the 4/15% rule, but because the applicant anticipates needing more than four (4) stations. The applicant determined it was more practical undertake the expansion all at once, both for construction as well as certification by Licensure.

The applicant states the proposed eight ESRD station expansion would not be duplication of services; as the ESRD residents in and around Tunica County need accessibility to the dialysis treatment services provided by the applicant. Also, the utilization rate supports the increase in the station authority.

The applicant states by increasing the number of ESRD stations, patients will be able to have access to more time slots to receive treatments. The goal is to reduce the number of missed appointments, so that the ESRD patients in the area are receiving the best quality of care possible.

GR Criterion 4 – Economic Viability

The applicant affirms that the proposed project will not increase dialysis costs for the patients or Medicaid. The applicant states the affiliation with the Fresenius network and its integrated delivery system ensures that there will not be negative effect on the healthcare costs associated with this project.

The applicant asserts it has the financial strength to operate at a loss, if necessary.

GR Criterion 5 – Need for Project

- a. Access by Population Served:** The applicant states that dialysis services will be offered to all ESRD patients, low income persons, racial and ethnic minorities, women, handicapped persons and other underserved groups and the elderly.
- b. Relocation of Services:** The proposed project is not for the relocation of a facility or services
- c. Utilization of Facilities:** The *FY 2015 MSHP* shows that there is a thirty (30) mile radius of an existing or proposed ESRD facility. This proposed project is not seeking to increase utilization but to increase the availability of treatment times for its ESRD patients. The applicant states with the additional eight (8) ESRD stations, it will result in more desirable treatment slot times. Also, the

facility anticipates a slightly increase in patients seeking more convenient treatment times and access to treatment.

- d. Probable Effect on Existing Facilities in the Area:** As previously stated, the applicant affirms this proposed project is not to increase utilization but to provide a better facility with additional time slots for the patients to receive necessary dialysis treatment at RCG Tunica, LLC d/b/a Tunica Dialysis.
- e. Community Reaction:** The application contained 13 letters of support for the proposed project from the patients who are serviced at the RCG Tunica, LLC d/b/a Tunica Dialysis ERSD facility.

No letters of opposition for the proposed project were received by the Department.

GR Criterion 6 – Access to the Facility or Service

According to the applicant, all patients of the ESRD service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons, and the elderly, will have access to the services of the facility.

The following table shows the projected estimated gross patient revenues of health care provided to charity/medically indigent patients for years one and two for the proposed project:

Projected Year	Medically Indigent *	Total Dollar Amount of Gross Patient Revenue
1	2%	\$3,046.80
2	2%	\$3,283.60

*Patients without a payor source during a 90 day waiting period are considered medically indigent.

RCG Tunica, LLC d/b/a Tunica Dialysis affirms that it will operate Monday, Wednesday and Friday 5:45 a.m. to 10:00 p.m. and Tuesday, Thursday and Saturday 5:45 a.m. to 8:00 p.m. The applicant states alternate times are available by arrangement.

GR Criterion 7 – Information Requirement

The applicant affirms that it will record and maintain all requested information required under GR Criterion 7 and make it available to the Mississippi State Department of Health within 15 days of request.

GR Criterion 8 – Relationship to Existing Health Care System

The applicant affirms that RCG Tunica, LLC d/b/a Tunica Dialysis is the only ERSD facility in its ESRD Facility Service Area. The facility is located thirty (30) miles radius of an existing or proposed ESRD facility. The applicant states the next closest facility is FMC Southaven, which is located approximately thirty-six (36) miles from the applicant.

GR Criterion 9 – Availability of Resources

RCG Tunica, LLC d/b/a Tunica Dialysis has the personnel necessary for efficient operation of its facility. The applicant affirms it has presence in the area has allowed it to establish relationship with nearby nephrologists who will support the proposed expansion at RCG Tunica, LLC d/b/a Tunica Dialysis.

GR Criterion 10– Relationship to Ancillary or Support Services

The applicant affirms that all necessary ancillary and support services will be available. Also, due to the relationship with Fresenius and the surrounding medical community, all ancillary services will be sufficiently available including laboratory services, drugs, and any other necessary services related to the method in, which patients choose to receive dialysis.

GR Criterion 11– Health Professional Training Programs

RCG Tunica, LLC d/b/a Tunica Dialysis asserts the facility presently cooperates and coordinates with area health professional training programs in the surrounding area.

GR Criterion 12- Access by Health Professional Schools

The applicant states they will cooperate with the clinical needs of health professional training programs in the area.

GR Criterion 14– Construction Projects

The applicant is proposing to expand its host/main ESRD facility by eight (8) ESRD stations; however, the proposed project does require construction to expand the existing ESRD facility and renovation (build-out) of the additional square feet.

GR Criterion 16– Quality of Care

The applicant states as previously discussed, this proposed project will give its ESRD patients enhance quality of care at its existing facility by offering more opportunities for dialysis treatment times at its facility.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Cost Item	Projected Cost	Percentage% of Total
Construction Cost - New	\$444,000	32.30%
Construction Cost - Renovation	\$494,000	35.94%
Capital Improvements	\$0	0%
Total Fixed Equip Cost	\$218,750	15.91%
Total Non-Fixed Equip Cost*	\$38,900	2.83%
Land Cost	\$0	0%
Site Prep Cost	\$0	0%
Fees – architectural/engineering	\$84,454	6.14%
Contingency Reserve	\$93,840	6.82%
Capitalized Interest	\$0	0%
Other	\$0	0%
Total Proposed Expenditures	\$1,374,346	99.94% or 100.00%

The Department has determined that a financial feasibility study is not necessary for the proposed project.

B. Method of Financing

The applicant affirms that the project will be financed from cash reserves.

C. Effect on Operating Cost

The applicant's projections of gross revenues for the first, second, and third year of operation, expenses, and net income are shown in Attachment 1. Utilization, cost, and charges are also included in the applicant's Three-Year Projected Operating Statement (see Attachment 1).

D. Cost to Medicaid/Medicare

In the application RCG Tunica, LLC d/b/a Tunica Dialysis provides the following revenue source projections for each payer category listed below.

RCG Tunica, LLC d/b/a Tunica Dialysis		
Payor	Utilization Percentage	First Year Revenue
Medicaid	4.00%	\$65,317.00
Medicare	52.00%	\$762,316.00
Self Pay	0.00%	\$1,155.00
Commercial	40.00%	\$589,622.00
Charity	1.00%	\$12,033.00
Other	2.00%	\$29,967.00
Total	99%	<u>\$1,460,410.00</u>

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment. As of this date, the Division has not provided any comments on the proposed project.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the establishment of a satellite ESRD facility as contained in the *FY 2015 State Health Plan*; the *Mississippi Certificate of Need Review Manual, Revised September 1, 2011*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

The Division of Health Planning and Resource Development recommends approval of the application submitted by RCG Tunica, LLC d/b/a Tunica Dialysis for expansion of ESRD stations by eight (8) at its existing facility

Attachment 1
RCG Tunica, LLC d/b/a Tunica Dialysis
Three-Year Operating Statement with Project Only

	Year 1	Year 2	Year 3
Revenue			
Inpatient Care Revenue	\$ 0	\$ 0	\$ 0
Outpatient Revenue	1,460,410	1,926,857	2,256,851
Gross Patient Revenue	\$ 1,460,410	\$ 1,926,857	\$ 2,256,851
Charity	\$ 0	\$ 0	\$ 0
Deductions from Revenue	0	0	0
Net Patient Care Revenue	\$ 1,460,410	\$ 1,926,857	\$ 2,256,851
Other Operating Revenue	\$ 0	\$ 0	\$ 0
Total Operating Revenue	\$ 1,460,410	\$ 1,926,857	\$ 2,256,851
Operating Expenses			
Salaries	\$ 0	\$ 0	\$ 0
Benefits	0	0	0
Supplies	259,908	341,176	397,699
Services	0	0	0
Lease Expenses	24,000	24,000	24,000
Depreciation	143,876	143,876	143,876
Interest	0	0	0
Other	157,820	207,166	241,488
Total Operating Expenses	\$ 585,604	\$ 716,270	\$ 807,062
Net Operating Income	\$ 874,806	\$ 1,210,639	\$ 1,449,789
	Proposed Year 1	Proposed Year 2	Proposed Year 3
Inpatient Days	0	0	0
Outpatient Visits	0	0	0
Procedures	3,744	4,866	5,616
Charge per Outpatient Day	\$ 0	\$ 0	\$ 0
Charge per Inpatient Day	\$ 0	\$ 0	\$ 0
Charge per Procedure	\$ 390	\$ 396	\$ 402
Cost per Inpatient Day	\$ 0	\$ 0	\$ 0
Cost per Outpatient Day	\$ 0	\$ 0	\$ 0
Cost per Procedure	\$ 156	\$ 147	\$ 144